

Funding

Division of Health Care Financing
Administration and Funding - March 15, 2005



Funding

- Sources of funding
 - Federal funding
 - Non-federal funding sources
- Trends in Administrative and Benefits expenditures



Federal Funding

- The Federal Medicaid Assistance Percentage (FMAP) is used to determine the amount of federal matching funds for Medicaid benefit expenditures.
- The FMAP for Title 19 benefits is calculated annually per Section 1905 of the Social Security Act.



Federal Funding

“Federal Medicaid assistance percentage for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 45 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii; except that (1) the Federal medical assistance percentage shall in no case be less than 50 per centum or more than 83 per centum...”

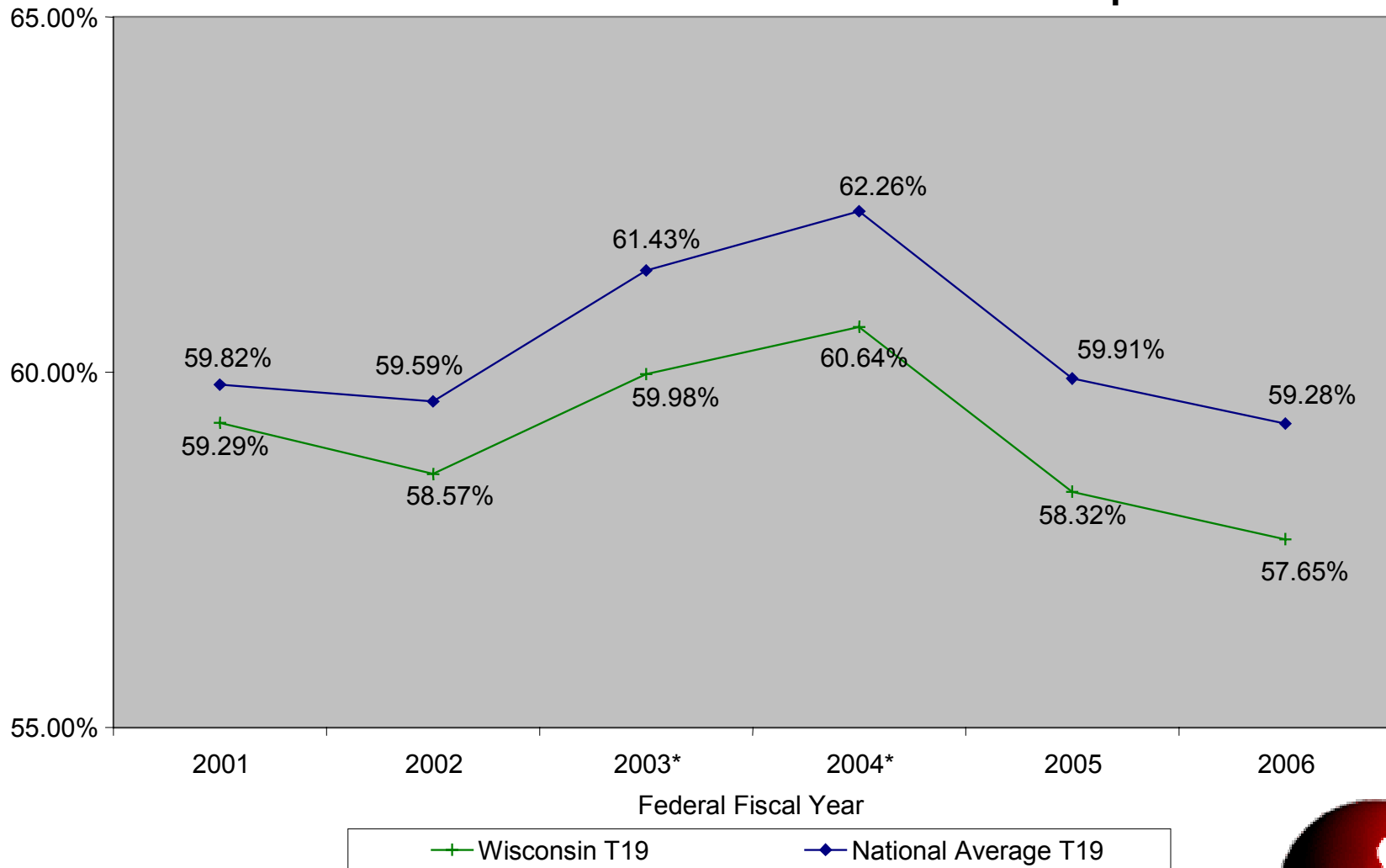


Federal Funding

- The Title 19 FMAP calculation is based on a State's per capita income compared to the per capita income in the United States.
- There are separate provisions for the District of Columbia and U.S. territories.
- The maximum Title 19 FMAP is 83% and the minimum is 50%.



Wisconsin's Federal Medicaid T-19 Benefits Participation Rate



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Federal Medicaid Assistance Percentages

Title 19		
<u>State</u>	<u>FFY 2005</u>	<u>FFY 2006</u>
Illinois	50.00%	50.00%
Indiana	62.78%	62.98%
Iowa	63.55%	63.61%
Michigan	56.73%	56.59%
Minnesota	50.00%	50.00%
Ohio	59.68%	59.88%
Wisconsin	58.32%	57.65%



Federal Funding

- The FMAP for Title 21 programs (SCHIP) is calculated annually.
- The Title 21 FMAP is the Title 19 FMAP for the year plus 30% of the difference between the Title 19 FMAP and 100%.

<u>Federal Fiscal Year</u>	<u>Title 21 FMAP</u>
2002	71.00%
2003	70.90%
2004	70.89%
2005	70.82%
2006	70.36%



Federal Medicaid Assistance Percentages

- The decrease in the Title 19 FMAP from 58.32% in FFY 2005 to 57.65% in FFY 2006 will cost Medicaid \$30 million GPR.
- The decrease in the Title 21 FMAP from 70.82% in FFY 2005 to 70.39% in FFY 2006 will cost Medicaid an additional \$6 million GPR.



Federal Administrative Funding

- The Social Security Act permits states to claim federal reimbursement for costs related to the proper and efficient administration of the Medicaid Program.
- The federal financial participation (FFP) percentages for Medicaid administrative activities are different than the benefit percentages and are not recalculated annually.



Federal Administrative Funding

FFP

Administrative Functions

- 90% - Design, development and installation of electronic claims processing and reporting systems.
- 75% - MMIS-related operational activities and training
 - Compensation and training of skilled professional medical personnel and staff directly supporting them.
 - External quality reviews and medical and utilization reviews performed by contracted vendors.
- 71% - BadgerCare Title 21 administration
- 50% - All other administration



Maximization of Federal Funding

- Medicaid maximizes the amount of federal support for expenditures through various initiatives.
- In the SFY 2004-2005 biennium, Medicaid will claim:
 - \$98.8 million for costs in excess of Medicaid payments at local government owned/operated nursing homes.
 - \$35.5 million for the General Assistance Milwaukee Program (GAMP)
 - An estimated \$50 million for costs in excess of Medicaid payments at county-operated providers.

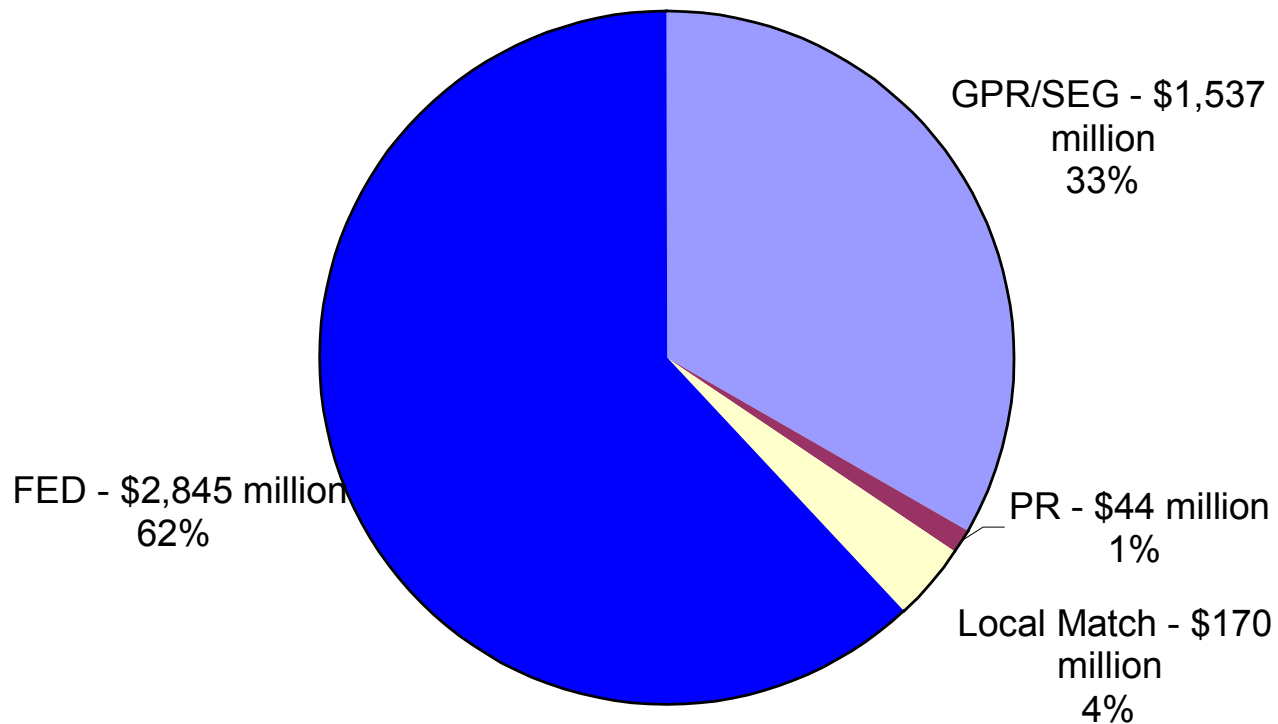


Non-Federal Funding Sources

- The non-federal share of expenditures comes from several sources:
 - GPR - general purpose revenue
 - SEG - segregated revenue
 - PR - program revenue
 - Local funds - non-state government funds, such as counties, tribes, or municipalities



SFY 2004 Medicaid Benefits Funding Source



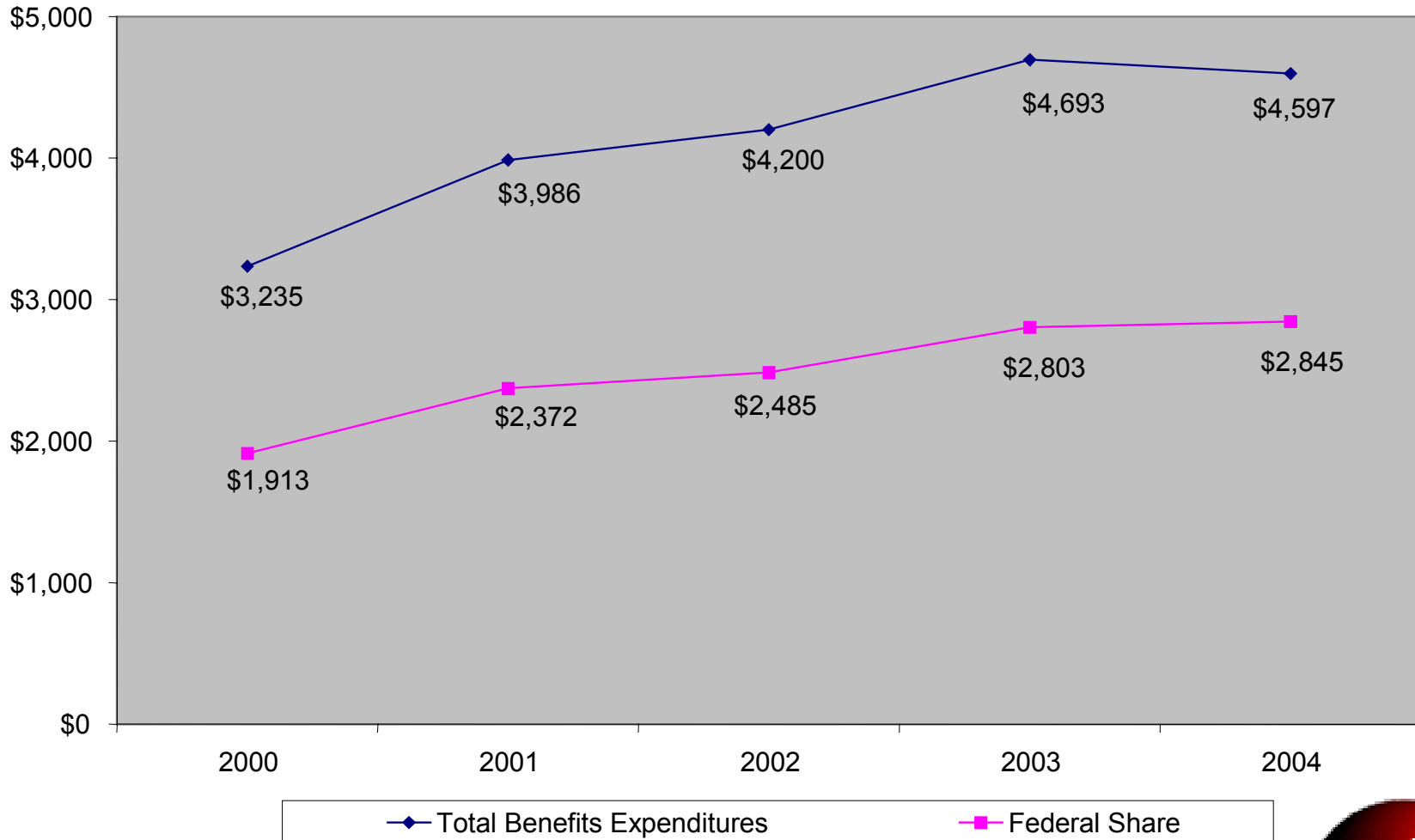
■ GPR/SEG - \$1,537 million

■ PR - \$44 million

■ Local Match - \$170 million

■ FED - \$2,845 million

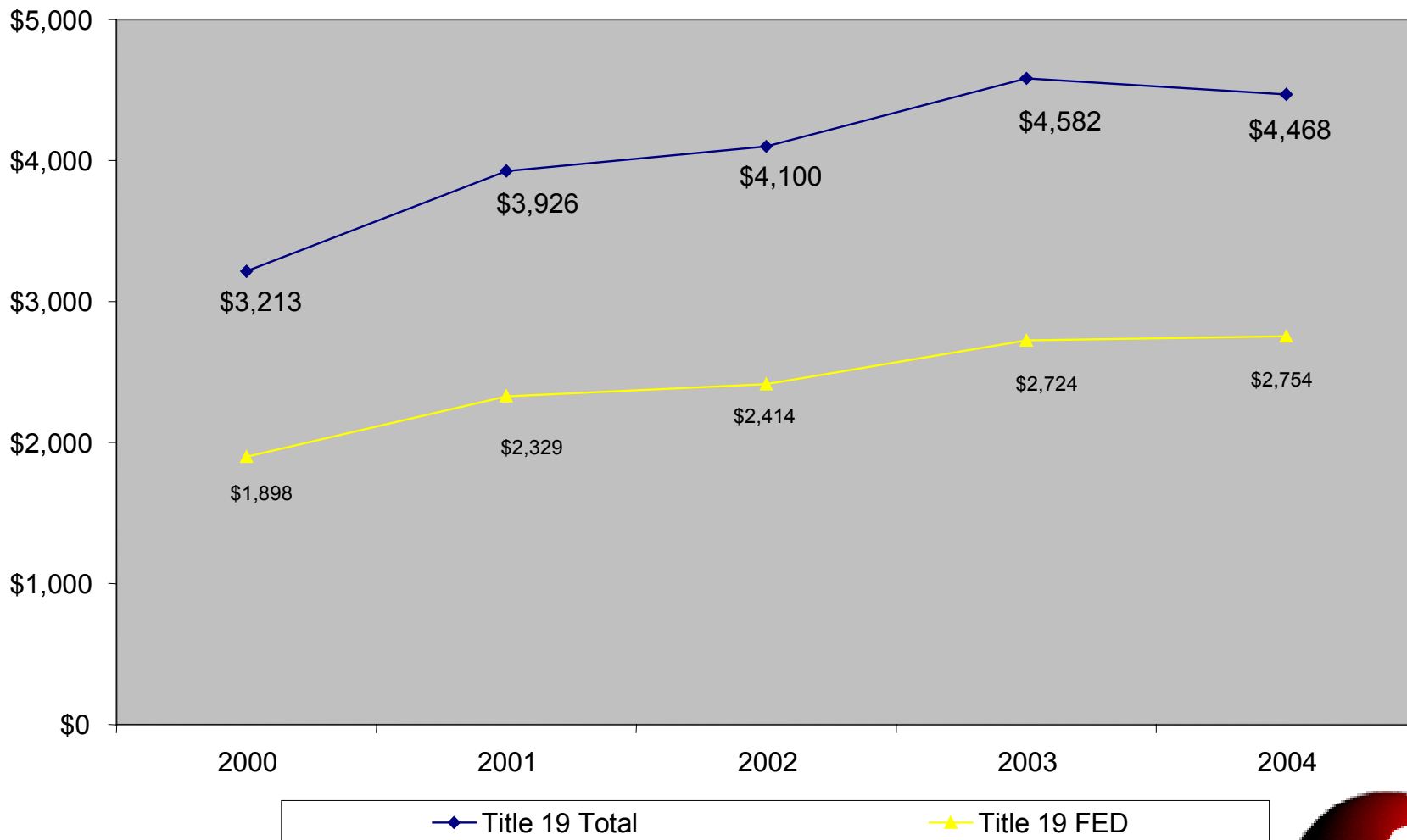
Total Medicaid Benefits Expenditures - SFY 2000-2004 (in millions)



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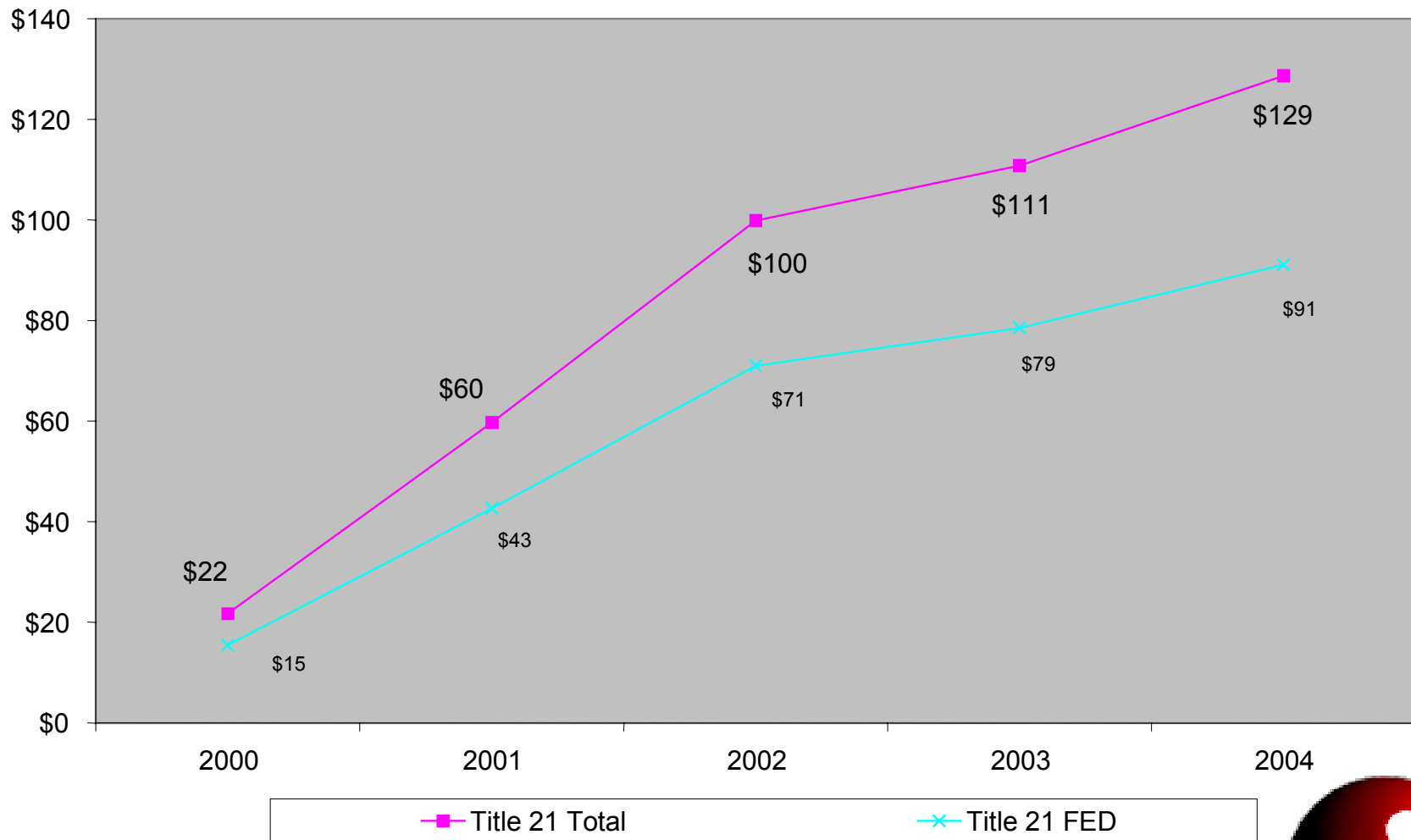
Medicaid Title 19 Benefits Expenditures - SFY 2000-2004 (in millions)



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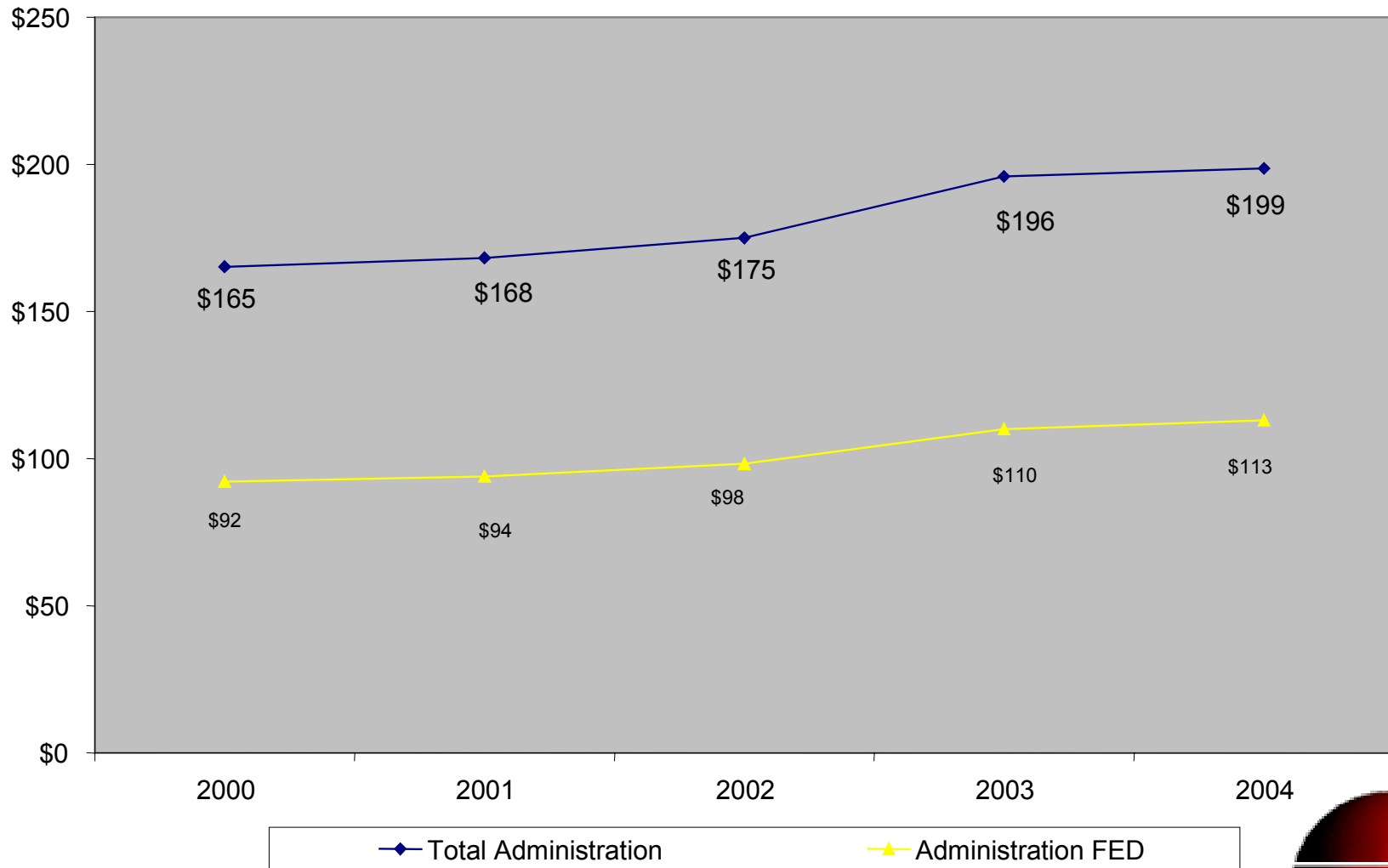
Medicaid Title 21 Benefits Expenditures - SFY 2000-2004 (in millions)



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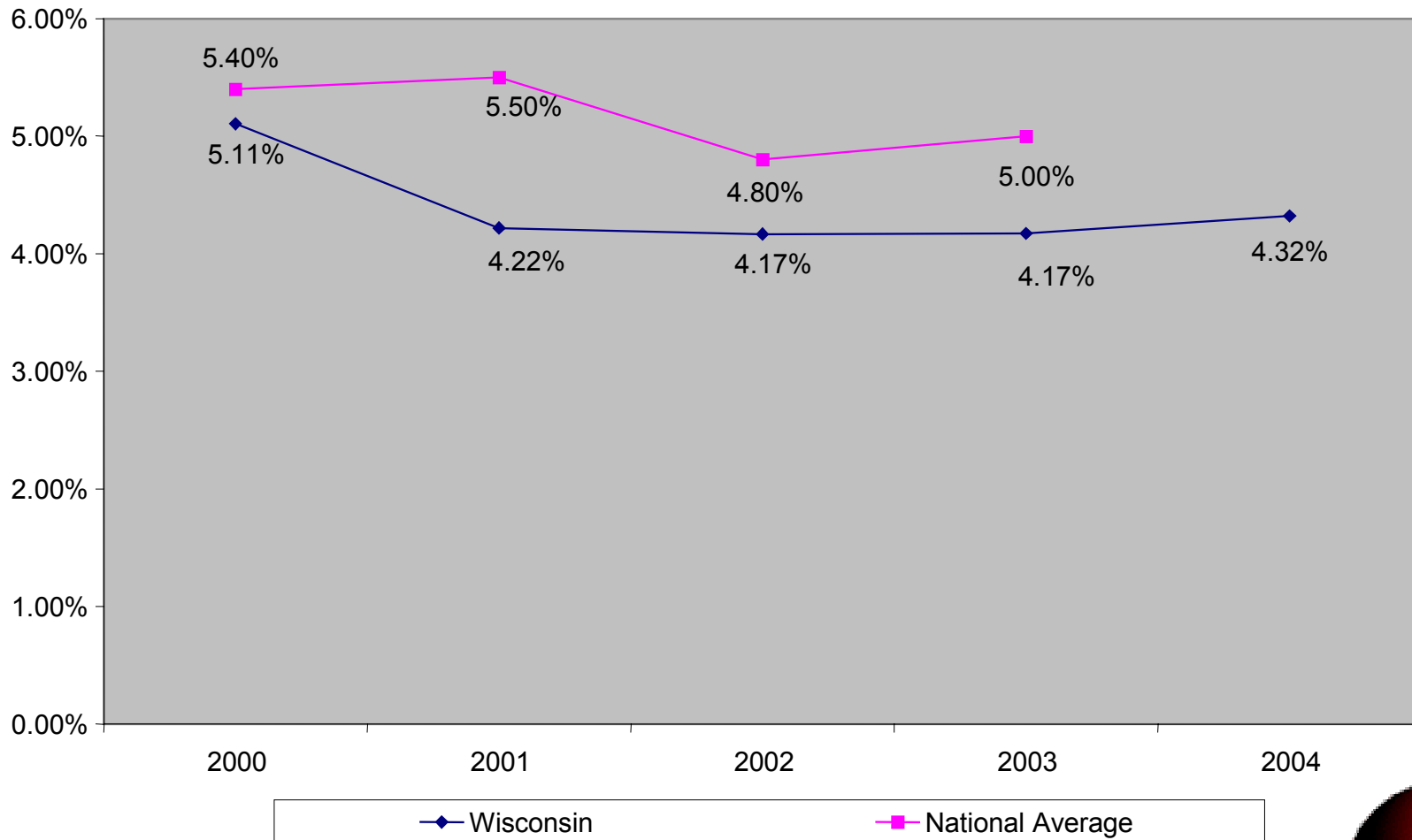
Medicaid Administration Expenditures - SFY 2000-2004 (in millions)



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Medicaid Administrative Expenditures as a Percentage of Benefit Expenditures - SFY 2000-2004



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Medicaid Trust Fund

- When the nursing home wire transfer program was implemented, a segregated trust fund was created to deposit the revenue.
- Revenue in this trust fund is used to pay the state share of Medicaid expenditures.
- Currently, the trust fund also includes revenue from interest and some provider assessments.



Income Maintenance Funding

- In CY 2003, \$85.4 million was spent on IM administration:
 - \$43.7 million federal funding
 - \$28.2 million state funding
 - \$13.5 million local agency funding
- DHFS worked in partnership with counties to develop a new formula to estimate IM caseload and workload.
- Under the new formula, it is estimated that the true cost to fully fund IM administration in CY 2006 would be \$95.1 million.



Local Funding

- In addition to the local funding provided for IM, local agencies provided the non-federal share of expenditures for other benefits.
- In SFY 2004:
 - School Based Services - \$25 million
 - County Mental Health and Case Management - \$42 million
 - Community-Based Long-Term Care Waivers - \$81 million



Recipient Premiums and Copays

- Recipients contribute towards Medicaid expenditures through copays, application fees and premiums.
- In SFY 2004:
 - MAPP premiums totaled \$1.1 million
 - BadgerCare premiums totaled \$6.1 million
 - SeniorCare application fees contributed \$2.7 million



Provider Contributions

- Although non-governmental providers cannot directly fund the non-federal share of expenditures, private providers contribute to the cost of recipient care through assessments and discounts.
- In the 2003-2005 biennium, Nursing Home licensed bed assessments are projected to total \$96 million.



Provider Discounts

- Medicaid rates are generally significantly lower than providers' usual and customary charges.
- For Nursing Homes in SFY 2004:
 - 20% were paid all of their allowable Medicaid costs.
 - The average Wisconsin nursing home was paid \$430,000 less than allowable costs.
 - The average Wisconsin nursing home lost \$19.44 per day, compared to \$16.06 loss per day in SFY 2003.
 - On average, a private pay resident subsidized the Medicaid program by \$48 per day.



Provider Discounts

- In SFY 2004:
 - Inpatient hospital claims payments were approximately 65% of the allowable Medicaid costs. This has decreased since SFY 2000 when claims payments were 98% of allowable costs.
 - Outpatient hospital claims payments were 55% of allowable Medicaid costs, which has decreased from 71% in SFY 2000.
 - Payments for dental claims were 46% of billed charges.
 - Physicians and clinic claims payments were 29% of billed charges.



Provider Cost Shifting

- Provider discounts do not automatically cause cost shifting to other payers.
- MA payments are low but more than uncompensated care.
- A 2003 study of the Rutgers Center for State Health Policy found:
 - The growth of Medicare risk HMOs in 1990-1995 was not associated with changes in private premiums.
 - Medicare physician fee cuts in 1989-1990 were not associated with increases in private charges.
 - Hospitals cost-shifted in the 1980's. Competition reduces hospital cost shifting and hospital cost shifting did not occur in the 1990's.



Savings Spillover

- Savings spillover occurs when public sector practices lead to private sector savings.
- This occurs when:
 - The public sector invests in cost-saving innovations,
 - Public strategies lead to savings for all,
 - Private sector uses the “cover” of public payment decisions.
- The effects of spillover are evident in the adoption of payment system innovations, i.e., DRGs.



Economic Impact of Medicaid

- Most providers have substantial fixed overhead costs that Medicaid helps pay.
- Medicaid generates \$2.85 billion annually in federal revenue to Wisconsin providers.
- The state of Minnesota examined the impact of enrollment in MinnesotaCare on uncompensated hospital care (charity and bad debt).
- During the period that coverage was expanded under MinnesotaCare, the study found uncompensated expenditures decreased 21% and it is estimated that MinnesotaCare lead to \$58.6 million in hospital savings of uncompensated care costs.

